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FROM : American Embassy ROME DATE: MARCH 18, 1970

SUBJECT : Civair: Italian Press Comment on Bi-Lateral Negotiations

REF :

The Embassy has translated and encloses a selection of recent press comment on the status of Italo-American bi-lateral civil air negotiations. The three newspapers represented cover most of the political spectrum. Il Messagero is an independent, fairly conservative Roman daily; Paese Sera is pro-Communist; Il Tempo is quite conservative and usually pro-U.S.

As far as the Embassy can determine, the articles were not officially inspired either by the government or Alitalia. While there must always be some doubt on these matters, the denials of official inspiration gain credence from the inaccuracies contained in the articles and the fact that all are more or less keyed to the recent Business Week article which apparently contained some of the same inaccuracies.

Briefly summarized, the Paese Sera article, taking the paper's usual anti-American tone, notes the Business Week allegation that Italy has denied 747 rights to Pan American at least until Alitalia gets its own 747s, and then turns the facts around to allege that the U.S. is blackmailing Italy citing Business Week's allegation that "Italy is likely to be the loser if it comes to a real clash."

Il Tempo article of February 23, 1970 is essentially a response to Paese Sera which it accuses of trying to find an anti-American angle

Enclosure:

Translation of Press Articles

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in everything. Italy's action, says the paper, is a purely commercial, not political, defense of its commercial interests.

Il Tempo returns to the subject on February 27, 1970 with a longer article implying that the recent postponement in the Atlas Consortium's decision on which aircraft to adopt jointly for the mid and later 1970s was designed to bring pressure on the U.S. Government through U.S. aircraft manufacturers to force the conclusion of an air agreement favorable to Italy. It also states incorrectly that France and other European countries have joined or are about to join Italy in barring the jumbo jets.

Finally, Il Messagero on February 28 repeats the mistaken assertion that the 747 has been barred from Orly and goes on to bring up the long-discredited assertion that the 1948 agreement was an unfair one unilaterally imposed by the United States on a "defeated and destroyed Italy."

Comment: In view of the scheduled resumption of formal negotiations in April and Pan American's now pending application to begin 747 service on March 22, the Embassy is not inclined to issue any statements in response to the various allegations contained in the enclosed articles.

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IL MESSAGGERO - Rome - February 28, 1970

AFTER FOUR YEARS OF NEGOTIATIONS BETWEEN WASHINGTON AND ROME FOR THE MOMENT NO JUMBOS ON ITALIAN AIRPORTS

by Marco Cesarini Sforza

This very day, February 28, at eight AM, as planned by TWA, the American airline which had been the first to add them to its fleet, the new giant Boeing 747, carrying over 400 passengers, should have started their scheduled services from New York to Rome and back. But in civil aviation circles it had long since been generally known that this event would not have taken place. The arrival of the Jumbo Jets at Rome's Fiumicino and Paris' Orly, was to be prevented not by mechanical bugs, by now all worked out, but by a diplomatic or even political problem which does not appear to be easy to solve. This has taken the shape of a Government-level negotiation between the U.S.A. and Italy, which started in June 1966 and has been dragging for almost four years and a positive outcome of which, for the time being, cannot be predicted.

To put it briefly, it is said that the failure to get the 747s into scheduled services results from nothing but a sort of "retaliation" practiced by Italy against the U.S. in view of Washington's refusal to agree to /Italy's/ demand for changes to the bilateral aviation agreement existing between the two countries. This, at any rate, is the meaning attributed to this affair by the whole U.S. press which has discussed it at length. By way of example we shall mention the January 31 issue of the wide-circulation Business Week which, while not using the word "retaliation", went so far as writing that Italy is using the 747 as "a gun aimed" at the heads of the U.S. airlines.

This is an unpleasant business, which started in 1948, when defeated and destroyed Italy was beginning to get back on her feet. Civil aviation too was being rebuilt, slowly and with countless difficulties. The U.S. helped us in this area too, but naturally they demanded a quid-pro-quo, which consisted in Italy's acceptance of a bilateral aviation agreement, signed while Italy was still under armistice conditions, and therefore at a time of extreme political and diplomatic weakness, which undoubtedly favored the U.S. airlines. Naturally enough, as soon as Italy's national airline, Alitalia, became strong enough an immediate start had to be made with a revision of the agreement to establish a balance of mutual concessions and put Italy in the same conditions, vis-a-vis the U.S., at present enjoyed by the major nations of Europe and Asia.

The reasons for this action are evident. Italy's national airline cannot reasonably accept limitations or discriminations on its activity as a great international carrier, which indeed it is. It cannot agree to being excluded beforehand from the great worldwide traffic because its aircraft, under the 1948 agreement, cannot cross the U.S. and thus link up through the Californian airports with the Asian routes and, through Atlanta and Dallas, with the Latin and South American route networks. Italy had therefore requested a "balancing" of routes that would enable its aircraft to penetrate in depth the U.S., just as American aircraft can penetrate Italy in depth. In the second place, for the two countries

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to be placed on an equal footing, a fair regulation is needed of the so-called "capacity offered", i.e. that the seats which their respective airlines offer to transatlantic travellers be proportional, and this means an equitable regulation of the number of carriers that can be designated by the two parties. Finally, there are minor problems of equity, also as regards cargo-carrying operations.

The negotiations on these points started informally, but soon got stuck because of the lack of understanding on the other side. On June 1, 1966, Italy denounced the 1948 agreement and started a formal negotiation. But the Washington delegation was at no time willing to depart from its initial positions which involved, in addition to the routes already served, numerous additional routes, while the concessions made to Italy certainly did not improve the terms of its present inferiority.

This is an unpleasant and distasteful business. In effect, since June 1, 1967 the air services between Italy and the U.S. have been operated on a wholly precarious base. Even the resumption of negotiations in December 1968 has resulted in nothing new, even though they went on till the early days of 1970.

At this point, to complete this picture it must be added that, if the position of the U.S. delegation were that outlined in the Business Week article, any further talk would be unprofitable. That authoritative economic weekly has written that U.S. does recognize that the old agreement is in its favor and that it is willing to correct this situation, "but not at the cost of the basic principles of its aviation policy." But how can an agreement be reached other than sacrificing some principle or unilateral interest?

According to the magazine, finally, the two countries involved in this dispute have already left the area of negotiations to enter that of retaliations. The U.S., in this spiral, might tomorrow limit Alitalia's activities in its territory and in this case Italy, writes the magazine, "will be the loser", since the per cent of revenue which Alitalia earns from its flights to the U.S. is much higher than that earned by any U.S. airline from its services with Italy. As it can be seen, we are on a bad road. And it is only to be hoped that the threatening opinions of Business Week are not shared by the Government bureaucracy in Washington, which certainly know very well on what new bases of equity and equality the relations of nations should be based.

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IL PAESE SERA - February 21, 1970

JUMBO'S APPEARANCE MAKES AN OLD CONFLICT BREAK
OUT AGAIN HEAVY U.S. BLACKMAIL AGAINST ITALY'S AVIATION

by Carlo Benedetti

It was bound to happen. Beyond the exultation over technological achievements, the entry into service of the Jumbo Jet, the giant capable of carrying

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300 to 500 passengers (depending on versions) is causing a major reshuffling of the cards in the world's civil aviation market. This market had already been sufficiently stirred up by the small war of fares -- Alitalia denounced a few years ago the whole fare package -- and is now made extremely nervous by the entry into service of an aircraft which, having achieved a cruising speed around 600 mph, is staking everything on capacity and comfort. The carriers are beginning to cast dirty looks at each other and to prepare suitable defensive measures against the announced American offensive: the U.S. build the Boeing 747 and will be the first to use them massively on all their routes.

What will happen? The appearance of the 747, as it is evident, is not a minor matter, but is bound to leave its mark in the structures of any airline. Thus, while airports are already being prepared to suit the giant's dimensions and requirements, polemics not entirely forgotten or conflict simply set aside are re-emerging.

All this stress is not leaving unaffected either Italy, that is her Government, and Italy's flag airline. In any case, it is quite strange that we should hear certain news from the New York press rather than from an Italian news agency story, or, better still, from a release by the Foreign Ministry or by the Ministry of Transport and Civil Aviation. "Italy is using PanAm's 747 as a pistol pointed at our heads", writes Business Week in one of its latest issues. Nobody in Italy knew that we were preparing to fight an air war with the U.S., and the American magazine explains the causes in its own way.

"Italian Civil Aviation Director General Felice Santini -- announces Business Week -- has told the U.S. State Department that the flights to Rome planned by PanAm starting February 25 had not been approved. Insofar as it is known, he does not want 747 services between the U.S. and Rome and Milan until its carrier will begin to fly the Jumbos next summer. Moreover, Italy wants the services to be operated in a 1:1 ratio, and this could damage PanAm and TWA. Finally, Italy demands routes to Atlanta, Dallas and Los Angeles, plus other trans-Pacific and Latin American routes as an extension of the routes to those cities. Another point of disagreement for the Rome Government is the fact that there is a third U.S. competitor on the Italy-U.S. market, the 'all-cargo' Seaboard World Airlines. The Italians have for some time been seeking to limit the number of all-cargo flights that can be flown by U.S. carriers to Rome and Milan, but so far the U.S. has been firmly sticking to its position." And from a description the magazine moves on to open blackmail, warning that if it came to a real clash, "Italy is likely to be the loser".

Business Week's statements, at the time when they are picked up and disseminated, constitute something more than a simple journalistic story, in fact they seem a deliberate amplification of some of the theses set forth by President Nixon in the economic parts of his State of the World Message, stating in fairly brutal terms that the pre-eminence of the U.S. interest not only cannot be questioned but will be defended by all means.

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The belated concerns which are emerging in the Italian circles are therefore fully justified. The Bilateral Agreement of far-off 1948, concluded under Armistice conditions, even though denounced by Italy on June 1, 1960, is still in force in its essential parts. As everybody knows, this is a "noose" agreement, enabling U.S. aircraft and airlines to do what they please in our skies, and on the other hand keeps Italy's planes and airline in a condition of mere subjection. The situation comes up again at the very time when Italy's civil aviation seems ready for more ambitious goal. But this is an argument to be picked up again and updated.

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IL TEMPO - February 27, 1970

WHY EUROPE HAS FROZEN JET PLANE ORDERS IN THE U.S.

By Giuseppe d'Avanzo

The Atlas European Consortium, made up by the national airlines of the Federal Republic (Lufthansa), France (Air France), Belgium (Sabena) and Italy (Alitalia), has served notice on the U.S. aircraft manufacturers concerned that the orders for medium-long range jet planes, due to be placed this spring in the amount of 1,000 billion Lire, have been suspended indefinitely. At the same time the Civil Aviation authorities of the four countries have virtually forbidden the American airlines to use their airports for the great Boeing 747 jumbos.

Italy's Position

In this connection, it should be explained here that the Italian Government representatives have informed the U.S. Government a few days ago that, there being no air traffic agreement in force between the two countries, and since all flight operations are taking place under a provisional system, every change in the status quo (schedules, aircraft types, etc.) must be agreed upon between the two Governments.

Italy did not approve of Pan American introducing the big Jumbos on services with Rome; our Government will reconsider the matter together with the Washington Government (unless an air traffic agreement is signed in the meantime) next June when Alitalia too will have in service of Jumbo super-jets. For its part the French Government, taking the clue from an FAA warning about the serious damages which can be caused by the jets from the Jumbo engines, has forbidden the U.S. airlines (the only ones that have now in service these giant aircraft) to use the Orly airport before suitable safety investigations are completed. Even though that of the damages which may be caused by the hot gas jets from the Jumbo engines is an extremely serious matter, the French Government's action is attributable to the concern, shared by the other European countries, over the so-called overcapacity -- something which, up until a few weeks ago, had seemed to be threat hanging over Alitalia alone, while now the other European airlines too are becoming aware of this threat.

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In the simplest possible terms, overcapacity occurs when one airline can offer a number of seats or freight tonnage much greater than a competing airline. For instance, on the Paris - New York - Paris route, Air France, using the various types of jets, will be able to offer 2,000 seats/day, while without overexerting themselves the competing American airlines could offer more than 7,000. Hence the need, for 20 years advocated by Alitalia President Bruno Velani, for the bilateral traffic agreements to regulate and predetermine the capacity of the operating airlines. For years and years our airline was left alone in pushing this demand which at present, however, with the entry into service of the big Jumbos, is understood also by the other airlines, which have just now realized that the Boeing 747 magnifies the difficulties of overcapacity.

Logically, the "ban" imposed by Italy and France (Holland, Belgium, West Germany and Switzerland are expected to follow suit) on the PanAm and TWA Jumbos will be limited in time; as soon as Boeing will deliver the first Jumbos to Alitalia and Air France, the two European airlines will have to review their position if they plan on having their own Jumbos land at New York and other U.S. airports.

From this measure stemmed the second and more important action, that of suspending the orders for U.S.-built jets. This action too is bound to be withdrawn in time, for at present and for an unforeseeable number of years to come there is no alternative to the U.S. aircraft industry. In any case, both the ban on Jumbos in Europe and the suspension of the orders for U.S. jets will involve substantial losses and difficulties for the U.S. airline and plane manufacturers, whose representatives, we are told, have already taken initial steps in Washington to try and change the present position of the Department of State.

The Key to the Dispute

We shall examine this position, after having said that in the meantime Italy controls the keystone to this dispute, which must be regarded, as the Americans do, not from the angle of international policy, Atlantic Alliance, defense against Communism, etc., but from a purely commercial standpoint, completely free from tie-ins with politics, NATO and the struggle for the freedom of the West. As our readers know, in 1966 Italy has denounced the 1948 air traffic agreement with the U.S. The negotiations which have taken place before and after this step have always halted in the face of the refusal of the State Department to agree even partially to the Italian requests, which include the regulation of overcapacity and the right to serve more U.S. cities than now permitted.

Now the dispute, which seemed limited to the U.S. and Italy, is involving almost all of Europe, whose Governments, in the light of the events connected with the entry into service of the Jumbos, have realized that Italy's requirements are actually their too.

It should be noted at this point that the position of the responsible State Department officials is not an easy one. Any concession to a foreign airline affects in one way or another the present and future interests of the U.S.

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airlines, which in the U.S. are highly important economic and political organizations. Their interests have been expounded, also recently, by certain U.S. publications which, with brutal clarity, have warned that no change in relations with European countries in the air traffic field must curtail the rights of the American airlines. The European response, as we have seen, has already been given through the ban on the Jumbos and the suspension of orders for U.S. airliners.

There is no doubt that at this point the resistance of the Department of State to the Italian negotiators, our Ambassador in Washington and the Director General of Civil Aviation, will be stronger for all we are asking for will constitute a precedent for all other countries. But it may also be that the measures adopted by Italy, France and the Atlas Consortium, with the consequent injury to American interest, will help change the U.S. attitude.

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IL TEMPO - February 23, 1970

IN THE SECTOR OF AIR TRANSPORT - NO BI . 'MAIL BETWEEN ITALY AND THE U.S.

by G. d'Avanzo

"Heavy U.S. Blackmail Against Italy's Aviation" -- this is the title which appeared fairly conspicuous last Saturday in Paese Sera, but evidently it was all a mistake. From the information printed by the paper itself, indeed, it appears that at last Italy has taken an energetic stand in the negotiations, of a typically commercial and not political nature, which has been dragging on practically for 22 years between Italy and the U.S., for an equitable [air] traffic agreement. On the occasion of the entry into service of the big Boeing 747 Jumbo jets, Italy has given notice to the State Department that the U.S. airlines will be allowed to use these big jets on the lines stopping in Italy only after the beginning of services to the U.S. by Alitalia with the same type of plane (this being scheduled to take place early in June).

So, no blackmail in objective reality on the part of anybody, and certainly not from the Americans. The Paese Sera's title, therefore, is one of the things which happen to those who anxiously strive to find at any cost some anti-American or anti-Atlantic arguments. In any event, the subject of the negotiations for this traffic agreement does deserve some clarification. Except for sporadic interventions, these negotiations have so far been left totally to the responsibility of our Ambassador in Washington and of the Director General of Civil Aviation, who have done everything in their power -- subject, however, to the limitations imposed by the lack of interest shown by the highest political authorities, which are little alert about this issue. For their part the Americans, drawing rightly a clear distinction between political relations and trade relations, have maintained an attitude of intransigence towards the Italian demands, for the very reason that our negotiations did not have Government backing and understanding. It is

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to be hoped that this state of affairs will change and that the Ministers of the next Government will extend also to the sector of air transport the distinction, quite widespread in our parties, between political relations and business relations.

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